

DEPARTMENT OF PUBLIC HEALTH FY 2023-24 AND FY 2024-25 BUDGET

January 17, 2023

Agenda

2

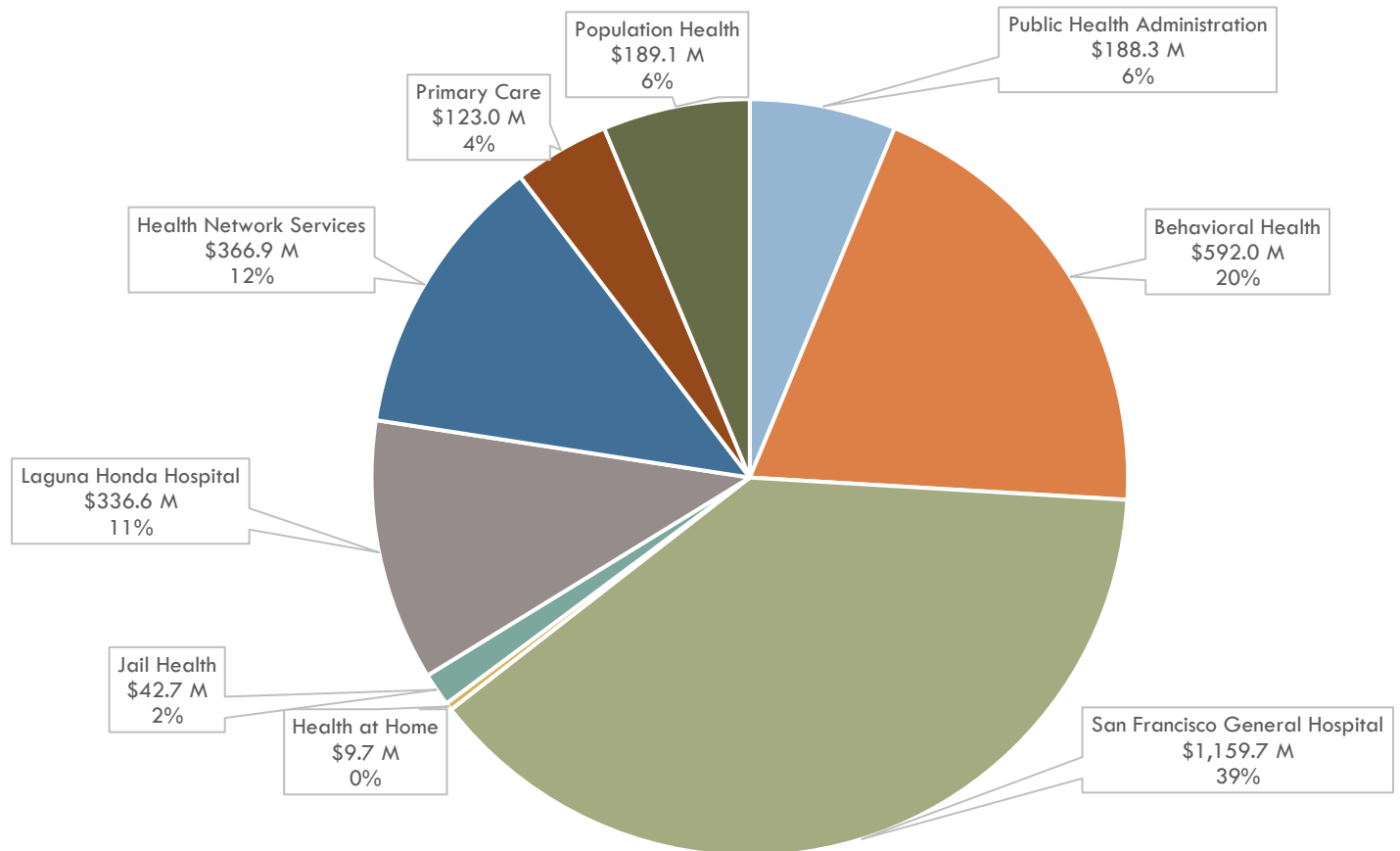
- I. Overview of DPH's Budget
 - ▣ Review of Base Budget for Divisions
 - ▣ Projected Salary Spending in Current Year
- II. Five-Year Financial Projection for the City and Mayor's Budget Instructions
- III. Department Goals and Areas of Focus for FY 2023-24 and FY 2024-2025
- IV. Approach to Budgeting and Next Steps

3

DPH Budget Overview

DPH Approved FY 2023-24 Budget \$3.0 Billion

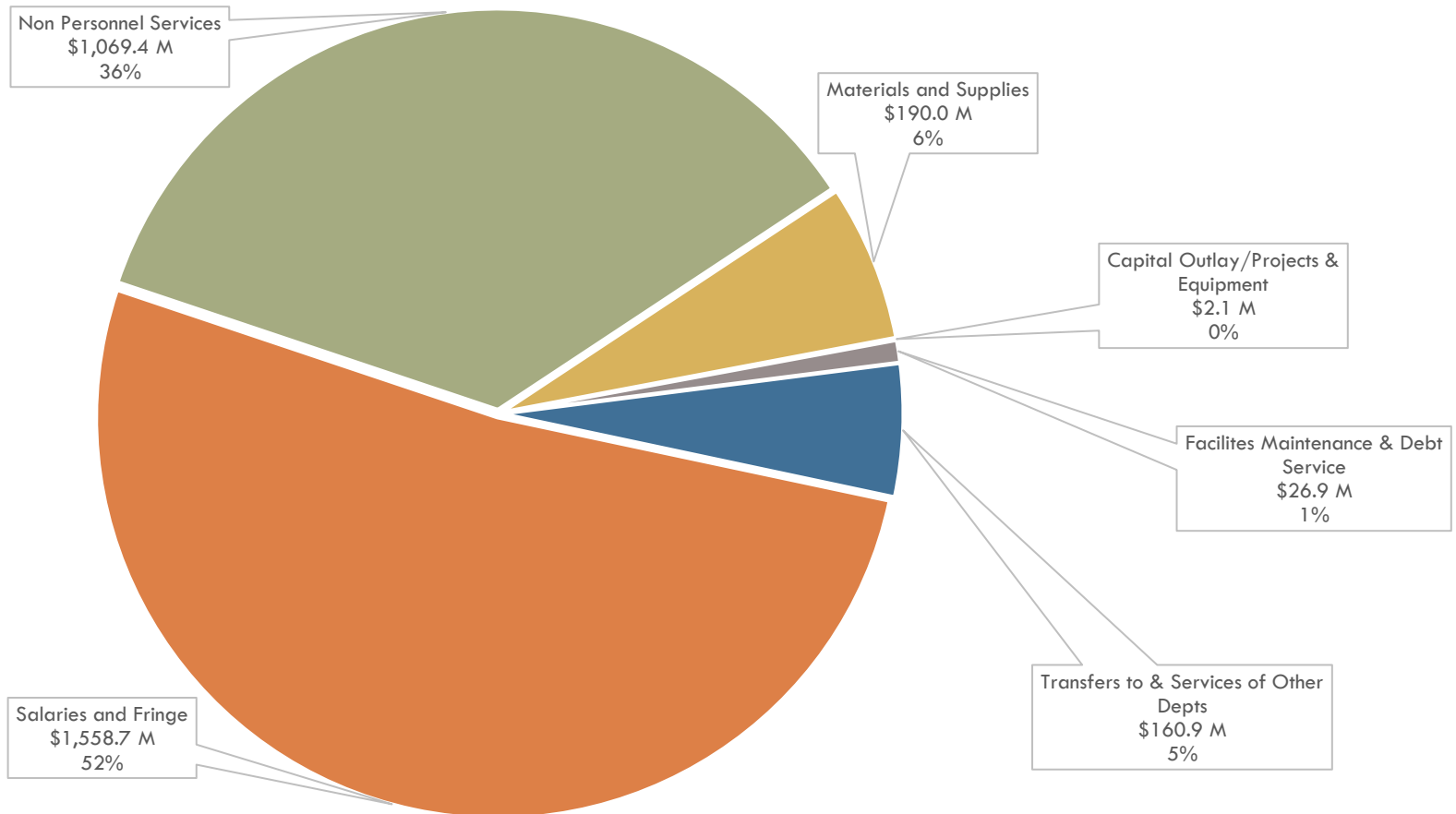
4



DPH FY 23-24 Budget

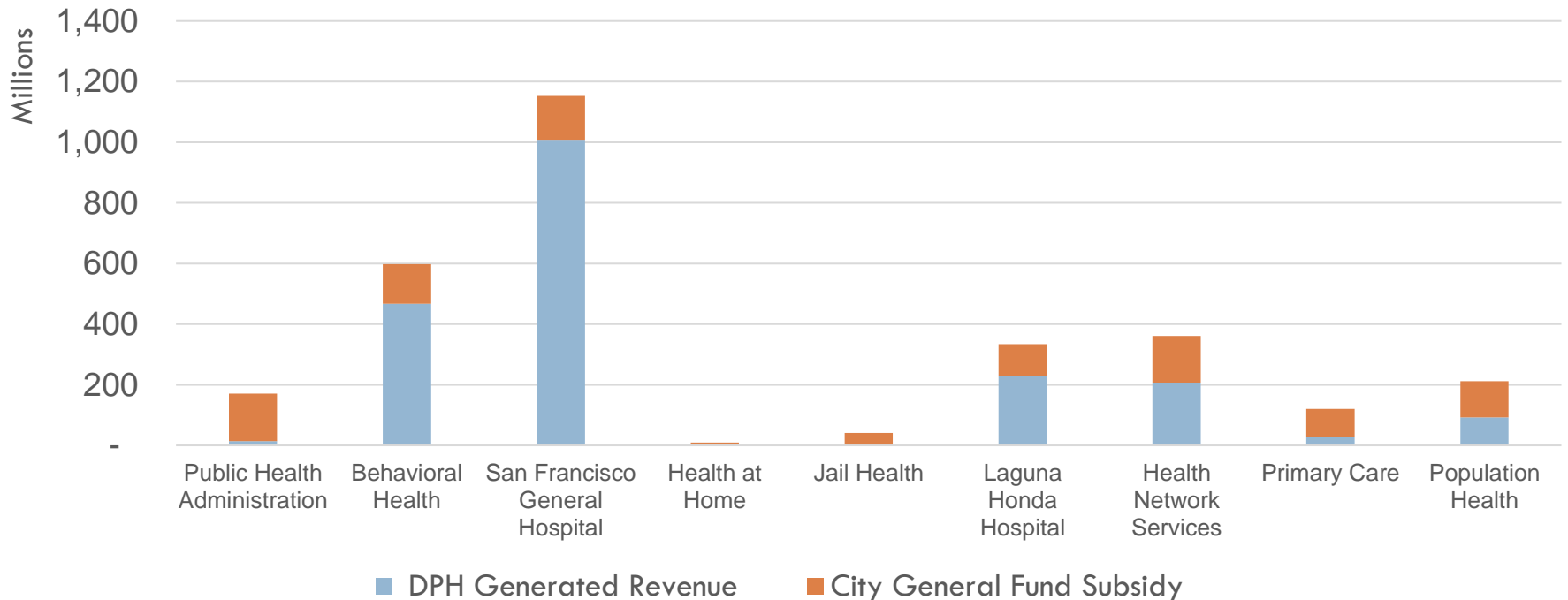
Expenses by Type

5



DPH Leverages Revenue to Offset General Fund

6



- DPH continues to offset ~68% of its costs with revenue, requiring a general fund subsidy of only ~32%
- General Fund share has been fairly consistent over time at around one-third of our revenue
- FY 23-24 budget includes \$1,022 M of General Fund

Current Year Salary Spending Projections

7

Administrative Code Section 3.3 requires departments to include personnel cost projections at public hearings on proposed budgets.

- DPH's operating budget of \$1.5 billion for salary and fringe is currently projected to have \$18 M (~1%) of savings as projected in the first quarter financials
- Savings driven by hiring delay for new positions and assumes increased hiring in the second half of this year.
- Efforts to hire new positions budgeted in the current year will have an impact on year-end figures.
- DPH's quarterly financial reports to the Health Commission will continue to update these projections throughout the year.

8

Five-Year Financial Projections & the Mayor's Budget Instructions

Summary of Five Year Forecast and Mayor's Instructions

9

- Weakening financial forecast resulting in significant deficit across the five years
 - ▣ Slow or no growth in major local revenues combined with loss of Federal revenues
 - ▣ New costs: higher wages, growing health benefit and pension costs, new set-aside for schools
- Risks and uncertainties could dramatically alter this forecast
- Required General Fund reductions of 5% in FY 23-24 and 8% in FY 24-25:
 - ▣ DPH targets of \$49.7 M in FY23-24 and \$79.5 M in FY24-25

Joint Report – Five Year Financial Forecast for the City

10

	<u>FY 23-24</u>	<u>FY 24-25</u>	<u>FY 25-26</u>	<u>FY 26-27</u>	<u>FY 27-28</u>
<i>SOURCES Increase / (Decrease)</i>	(29.2)	(24.7)	49.9	105.4	206.2
Uses					
Baselines	(49.8)	(96.3)	(140.9)	(177.1)	(209.9)
Salaries & Benefits	(55.0)	(169.6)	(257.7)	(364.2)	(490.7)
Citywide Operating Budget Costs	(78.5)	(199.5)	(312.8)	(409.6)	(514.9)
Departmental Costs	11.7	(37.3)	(84.0)	(146.1)	(214.9)
<i>USES (Increase) / Decrease</i>	<u>(171.6)</u>	<u>(502.8)</u>	<u>(795.4)</u>	<u>(1,097.0)</u>	<u>(1,430.4)</u>
Projected Annual Surplus / (Shortfall)	<u>(200.8)</u>	<u>(527.5)</u>	<u>(745.6)</u>	<u>(991.7)</u>	<u>(1,224.1)</u>
Two Year Deficit	(728.3)				

Joint Report – Risks & Uncertainties

11

- Pace of downtown recovery and rising office vacancies
- Impacts of high inflation and interest rates
- Continued cutbacks in tech sector and other local industries
- State budget shortfall and ongoing risk to excess ERAF
- Risk of a recession

Mayoral Policy Priorities

12

- **Recovery** of the local economy with focus on downtown and economic core
- **Improving** public safety and street conditions
- Reducing **homelessness** and transforming **mental health** service delivery
- **Accountability & equity** in services and spending

Budget Instructions to Departments

13

- Required General Fund reductions of 5% in FY 23-24 and 8% in FY 24-25:
 - ▣ DPH targets of \$49.7 M in FY23-24 and \$79.5 M in FY24-25
- Prioritize filling or reclassifying vacancies for core departmental functions and Mayoral priorities
- Propose remaining vacancies for budget savings
- Maintain Mayoral initiatives and recommend ways to fund more efficiently
- Prepare for outlook to worsen

DPH Goals and Areas of Focus for FY 2023-2025

Department Priorities for FY 23-25

15

1.

- Financial Stewardship and Leveraging Revenues, including CalAIM

2.

- Continuing investment in and re-envisioning of Behavioral Health Services

3.

- Strengthening operations to improve service delivery and Workforce and Health Equity

4.

- Strengthening Population Health and Transitioning COVID-19 response functions into operations

5.

- Recertification of Laguna Honda Hospital and Sustaining Long-Term Improvement

6.

- Expanding Electronic Health Records and Improving Access to Data

1. Financial Stewardship and Leveraging Revenues, including CalAIM

16

- Continued roll-out of CalAIM. New benefits rolled out:
 - ▣ Enhanced Care Management – January 2022
 - ▣ Community Supports – added Medical Respite and Sobering Center Services; in the process of adding SOMA Rise – July 2022
 - ▣ Expansion of Justice Involved Services – January 2023

- CalAIM also seeks to reform and restructure of Medi-Cal payments and processes and has begun implementation on two:
 - ▣ Long-Term Care Carve-In
 - ▣ Behavioral Health Payment Reform

2. Continuing Investment in and Re-envisioning of Behavioral Health Services

17

DPH will focus on Implementing Prior Year Investments in Mental Health SF, including:

Additional Bed Capacity

- \$11.4 M - operating costs for up to 196 new beds
- \$129 M - for one-time acquisition

Increasing Services in the Street and Shelter

- \$11.5 M – Seven Street Crisis Response Team, Behavioral Health Expansion in Street Medicine and Shelter Health

Targeted MH Services

- \$1.25 M – Transitional Aged Youth services
- \$1 M – Transgender services

Overdose Prevention

- \$10.8 M - Street Overdose Response Team, Contingency Management and Medication Assisted Treatment
- \$2.8 M - Harm Reduction and expand overdose education and naloxone provision

2. Continuing Investment in and Re-envisioning of Behavioral Health Services

18

- Expected increases in Mental Health Services Act funding. Last year's budget included:
 - ▣ \$4 M for needs of the Black/African American community and mental health support for birthing people who are Black-Identified
 - ▣ \$3 M for an Office of Overdose Response
 - ▣ \$12.8 M for one-time capital improvements.
- Other Behavioral Health Investments – \$10 M+ to strengthen services for clients on involuntary holds, expand comprehensive services, create a utilization management team, and enhance coordination in the residential system of care.

3. Strengthening operations to improve service delivery and Workforce and Health Equity

19

- Prior year budgets focused on increasing service levels but there has not been a corresponding investment in operations
- Central Operations is critical to ensuring timely and successful implementation of programs
- Last's year budget included \$11.1 million and 56 FTEs in investments in:
 - Business Office and Contracts Development
 - Human Resources
 - Office of Health Equity
 - Compliance and Privacy Affairs
 - Security

4. Strengthening Population Health and Transitioning COVID-19 response functions into operations

20

Public Health Infrastructure

- Over \$6.8 million annually was invested to bolster the infrastructure, including of our Public Health Emergency Preparedness and Response (PHEPR) branch, based on lessons learned from the last three years.

COVID-19 Response

- Department continues to step down response
- Upcoming budget will outline plans for the ongoing, \$25 M baseline level of continuing services

5. Recertification of Laguna Honda Hospital and Sustaining Long Term Improvements

21

- Laguna Honda continues to work to meet all regulatory requirements and make rapid improvements to prepare for recertification with the federal Centers for Medicare and Medicaid Services (CMS)
- Additional investments will be necessary to ensure long-term sustainability of those improvements.

6. Expanding Electronic Health Records and Improving Access to Data

22

- Wave 3 is the largest expansion of our Epic Electronic Health Record (EHR) since Aug. 2019. Includes:
 - Behavioral Health Services and partner agencies in the community who support mental health and substance use treatment.
 - Ancillary teams, such as laboratory services, dialysis, mammography
- New functionality to enhance patients' engagement in their care with a lens for efficiency and equity:
 - SMS text message reminders in all threshold languages
 - Self-scheduling appointments
 - Electronic delivery of consent documents in the patient's preferred language with capture electronic signature.

FY 2023-25 Approach to Budgeting

Overall DPH Approach to Budget Development in FY 2023-25

24

- Given significant investments in prior year and worsening economic outlook:
 - ▣ Maximize revenues to meet general fund reduction goals as well as support long-term financial stewardship
 - ▣ Leverage new revenue opportunities to expand or strengthen services
 - ▣ Maintain operations and services levels, including backfilling grants and other sources as necessary
 - ▣ Focus on full implementation of prior year initiatives; Limit new initiatives to maintain that focus

Next Meeting / Steps

25

- Present detailed balancing plan
- Request for Health Commission approval of proposed budget for submission to Controller and Mayor's Office
- Additional hearings as necessary
- Budget Submission is due on February 21